

Partstripe Limited

Report and Financial Statements

For the period ended 20 August 2005

Registered in England and Wales, number 4555293



Partstripe Limited

Company number: 4555293

Directors

G A Thorley
R J McDonald
N D Preston

Secretary

S Rudd

Auditors

Ernst & Young LLP
No. 1 Colmore Square
Birmingham
B4 6HQ

Bankers

Barclays Bank PLC
15 Colmore Row
Birmingham
B3 2EP

Solicitors

Slaughter & May
One Bunhill Row
London
EC1Y 8YY

Registered Office

107 Station Street
Burton on Trent
Staffordshire
DE14 1BZ

Report of the Directors

The directors present their report and financial statements for the 52 week period ended 20 August 2005.

Principal activity

The principal activity was that of pub retailing up to 25 November 2004.

Financial review

The retained profit for the period amounted to £104,432,704 (42 weeks ended 21 August 2004: £78,587,338). The directors do not recommend the payment of a final dividend.

Review of operations

The company has continued to generate satisfactory operating profits during the trading period.

On 25 November 2004 the Spirit Group Holdings Limited group of companies completed an intra-group reorganisation and £2.2 billion refinancing. To effect the refinancing, new financing arrangements were entered into comprising the issue of £1.25 billion Floating and Fixed/Floating Secured Debenture Bonds, secured against a portfolio of 1,080 freehold and long leasehold pubs in the Spirit Group estate and secured bank loans of £950 million, secured against a portfolio of 951 freehold, long and short leasehold pubs. The balance outstanding on the bank debt was repaid on 25 November 2004 and the Floating Rate Secured Notes issued in April 2002 and August 2003 pursuant to the Spirit Funding securitisation were called on 26 November 2004 and redeemed at par on 29 December 2004.

As a result of the refinancing the business, assets and liabilities of Partstripe Limited were transferred to Spirit Managed Pubs Limited, Spirit Managed Inns Limited and New Pubco (MC) Limited on 25 November 2004. Spirit Managed Pubs Limited and Spirit Managed Inns Limited were newly formed companies to facilitate the refinancing. New Pubco (MC) Limited will be owned and operated outside the new financing net. From 25 November 2004 Partstripe Limited ceased trading.

Post balance sheet event

On 5 January 2006 100% of the ordinary share capital of Spirit Group Holdings Limited, the ultimate parent of the group, was acquired by Punch Taverns (Redwood Bidco) Limited a wholly owned subsidiary of Punch Taverns plc. As a result of this transaction the new ultimate parent is Punch Taverns plc.

Directors and their interests

The directors as at the date of this report, and those who served during the period to 20 August 2005, were as follows:

	<i>Appointed</i>	<i>Resigned</i>
K E D Jones		5 January 2006
B J Smith		5 January 2006
C Riklin		10 January 2005
D K Walmsley	26 April 2005	5 January 2006
G A Thorley	5 January 2006	
R J McDonald	5 January 2006	
N D Preston	5 January 2006	

None of the directors in service at the period end had any interests in the shares of the company.

K E D Jones and B J Smith were also directors of the ultimate parent undertaking, Spirit Group Holdings Limited, at the period end. Any interests of these directors are disclosed in the Spirit Group Holdings Limited financial statements for the period ended 20 August 2005.

Report of the Directors (continued)

Directors' liabilities

The company has indemnified one or more directors of Partstripe Limited against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision was in force during the period and is in force as at the date of approving the Report of the Directors.

Disabled persons

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Employee involvement

During the period, the company has continued to enhance employee communication and involvement. The company has set up a number of forums through which employees can make suggestions on the company's future direction. All employees have been kept up to date through a series of update newsletters. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees are entitled to participate in the success of the business through the group's employee share scheme.

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.


The company shares accounting services with several other businesses within the Spirit Group Holdings Limited group of companies, and accordingly most trade creditors are settled by other companies within that group.

At 20 August 2005 the group had an average of 32 days purchases outstanding in trade creditors (2004: 22 days purchases outstanding). The directors believe that this measure is more meaningful than that for Partstripe Limited, which would have shown an average of 0 days purchases outstanding in trade creditors.

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditors will be submitted at the forthcoming annual general meeting.

By order of the board



R J McDonald
Director

5 May 2006

107 Station Street
Burton on Trent
Staffordshire
DE14 1BZ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARTSTRIPE LIMITED

We have audited the company's financial statements for the period ended 20 August 2005 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

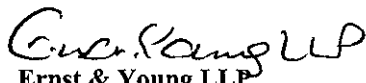
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 20 August 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Birmingham

5 May 2006

Profit and Loss Account
for the period ended 20 August 2005

	<i>Note</i>	52 weeks ended 20 August 2005 £	42 weeks ended 21 August 2004 £
Turnover	2	50,573,154	163,330,020
Net operating costs	3	(40,562,194)	(128,774,466)
Profit on ordinary activities before interest		10,010,960	34,555,554
Profit on sale of fixed assets		187,163,744	65,060,710
Net interest receivable/(payable)	6	532,000	(14,468,926)
Profit on ordinary activities before taxation		197,706,704	85,147,338
Tax on profit on ordinary activities	7	(3,274,000)	(6,560,000)
Profit for the financial period		194,432,704	78,587,338
Ordinary dividends on equity shares	8	(90,000,000)	-
Profit retained for the financial period		104,432,704	78,587,338

There are no recognised gains and losses for the current financial period other than the profit of £194,432,704 (42 weeks ended 21 August 2004: £78,587,338) shown above.

Balance Sheet
At 20 August 2005

	<i>Note</i>	20 August 2005		21 August 2004	
		£	£	£	£
Fixed assets					
Intangible assets	9	-		2	
Tangible assets	10	-		321,166,766	
Investments	11	90		90	
		<hr/>		<hr/>	
		90		321,166,858	
Current assets					
Stocks	12	-		3,092,800	
Debtors	13	513,127,605		96,586,039	
Cash		-		963,551	
		<hr/>		<hr/>	
		513,127,605		100,642,390	
Creditors: amounts falling due within one year	15	(327,455,416)		(340,569,673)	
		<hr/>		<hr/>	
Net current assets/(liabilities)		185,672,189		(239,927,283)	
Net assets		<hr/>		<hr/>	
		185,672,279		81,239,575	
Capital and reserves					
Called up share capital	16	10,090		10,090	
Profit and loss account	17	185,662,189		81,229,485	
		<hr/>		<hr/>	
Equity shareholders' funds		185,672,279		81,239,575	
		<hr/>		<hr/>	

These financial statements were approved by the Board of Directors on 5 May 2006 and were signed on its behalf by:



R J McDonald
 Director

Notes to the financial statements
at 20 August 2005

1. **Accounting policies**

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements are prepared up to the last Saturday falling on or before the accounting reference date of 24 August.

The company has taken advantage of exemptions under FRS1 and has not prepared a cash flow statement.

The company has taken advantage of exemptions under FRS8 and has not disclosed transactions with group companies and investees of the group qualifying as related parties.

Consolidated financial statements

The company is exempt, under s228 of the Companies Acts 1985, from the obligation to prepare consolidated financial statements as the company is a wholly owned subsidiary undertaking of Spirit Group Holdings Limited, a company incorporated in the EU, which prepares consolidated financial statements. As such, these financial statements present information about the company as an individual undertaking and not about its group.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation

Depreciation is provided to write off the cost less estimated residual value of all tangible fixed assets in equal annual instalments over the expected useful economic lives of the assets.

- Freehold land is not depreciated.
- Freehold buildings are depreciated to their estimated residual values over the following periods:
 - Licensed buildings - 50 years
- Buildings held on lease are depreciated over the shorter of 50 years or the unexpired term of the lease.
- Other tangible assets are written off over their estimated useful life as follows:
 - Fixtures and fittings - 5 to 15 years
 - Vehicles and equipment - 3 to 8 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes to the financial statements
at 20 August 2005

1. Accounting policies (*continued*)

Leases

Operating lease payments and receipts are taken to the profit and loss account on a straight line basis over the life of the lease.

Stock valuation

Stocks are stated at the lower of cost or net realisable value.

Investments

Investments are stated at cost, less any impairment.

Pension and other post retirement benefits

The expected cost of pensions in respect of defined benefit pensions schemes is charged to the profit and loss account so as to spread the cost of pensions over the expected remaining service lives of employees in the scheme.

Deferred taxation

Deferred taxation is provided, without discounting, on all timing differences which have originated but not reversed at the balance sheet date except for those which should not be recognised under FRS19, calculated at the enacted rates at which it is estimated that tax will be payable. Deferred taxation assets are only recognised to the extent that it is more likely than not that they will be recovered.

Turnover

Turnover comprises sales, including recovery of duty where appropriate, and rent receivable excluding VAT.

2. Turnover

	52 weeks ended 20 August 2005	42 weeks ended 21 August 2004
	£	£
Sales	50,534,903	163,197,694
Rental income	38,251	132,326
	<hr/>	<hr/>
	50,573,154	163,330,020
	<hr/>	<hr/>

The turnover of the company for the period is attributable to the single activity of the operation of pubs and pub restaurants, which was carried out in the United Kingdom.

Notes to the financial statements
at 20 August 2005

3. Net operating costs

	52 weeks ended 20 August 2005	42 weeks ended 21 August 2004
	£	£
Raw materials and consumables	13,513,531	44,242,320
Staff costs (note 5)	10,847,524	33,859,912
Depreciation	1,857,929	6,397,296
Other operating costs	14,343,210	44,274,938
	<u>40,562,194</u>	<u>128,774,466</u>

Operating lease costs on property for the period amounted to £3,886,959 (42 weeks ended 21 August 2004: £4,650,006).

Fees in respect of services provided by the auditors for the statutory audit of the company were paid on behalf of the company by Spirit (SGL) Limited. Fees paid by the company to the auditors in respect of non-audit services during the period were £nil (42 weeks ended 21 August 2004: £nil).

4. Directors' emoluments

Directors' emoluments have been borne by a group company within the Spirit Group Holdings Limited group of companies. The directors of the company are also directors or officers of a number of the companies within the Spirit Group. The directors' services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the periods ended 20 August 2005 and 21 August 2004.

5. Staff numbers and costs

The average number of persons engaged to work in the business by the company during the period was 5,157 (42 weeks ended 21 August 2004: 4,235). The aggregate payroll cost of these persons was £10,847,524 (42 weeks ended 21 August 2004: £33,859,912), which can be analysed as follows:

	52 weeks ended 20 August 2005	42 weeks ended 21 August 2004
	£	£
Wages and salaries	10,039,005	30,900,556
Social security costs	614,343	2,160,262
Pension costs	194,176	799,094
	<u>10,847,524</u>	<u>33,859,912</u>

Notes to the financial statements
at 20 August 2005

6. Net interest receivable/(payable)

	52 weeks ended 20 August 2005	42 weeks ended 21 August 2004
	£	£
Interest payable to group undertakings	-	(17,493,889)
Interest receivable from group undertakings	532,000	3,023,977
Other interest receivable	-	986
	<u>532,000</u>	<u>(14,468,926)</u>

7. Tax on profit on ordinary activities

	52 weeks ended 20 August 2005	42 weeks ended 21 August 2004
	£	£
(i) The tax charge on the profit for the period comprises:		
UK corporation tax	3,720,000	8,095,000
Deferred tax - origination and reversal of timing differences (note 14)	(446,000)	(1,535,000)
	<u>3,274,000</u>	<u>6,560,000</u>

	52 weeks ended 20 August 2005	42 weeks ended 21 August 2004
	£	£
(ii) Reconciliation of current tax charge		
Profit on ordinary activities before taxation	197,706,704	85,147,338
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30%	59,312,011	25,544,201
Effects of:		
Expenses not deductible for tax purposes	-	150,312
Depreciation in excess of capital allowances/(capital allowances in excess of depreciation) in the period	446,000	1,535,000
Depreciation on assets not qualifying for capital allowances	111,600	383,700
Profit on sale of tangible fixed assets	(56,149,611)	(19,518,213)
Current tax charge for the period	<u>3,720,000</u>	<u>8,095,000</u>

Notes to the financial statements
at 20 August 2005

8. Dividends

	52 weeks ended 20 August 2005 £	42 weeks ended 21 August 2004 £
Interim dividends		
- Ordinary A shares	89,100,000	-
- Ordinary B shares	900,000	-
	<hr/> 90,000,000 <hr/>	<hr/> - <hr/>

9. Intangible assets

	Goodwill £
Cost	
At 21 August 2004 and 20 August 2005	<hr/> 2 <hr/>
Amortisation	
At 21 August 2004	-
Charge for the period	<hr/> 2 <hr/>
At 20 August 2005	<hr/> 2 <hr/>
Net Book Value	
At 20 August 2005	<hr/> - <hr/>
At 21 August 2004	<hr/> 2 <hr/>

Notes to the financial statements
at 20 August 2005

10. Tangible fixed assets

	Land and Buildings £	Fixtures and Fittings, Vehicles and Equipment £	Total £
Cost			
At 21 August 2004	291,701,624	91,728,504	383,430,128
Transfers to other group undertakings	(292,081,831)	(93,632,475)	(385,714,306)
Additions	697,389	2,264,220	2,961,609
Disposals	(317,182)	(360,249)	(677,431)
At 20 August 2005	-	-	-
Depreciation			
At 21 August 2004	4,113,084	58,150,278	62,263,362
Transfers to other group undertakings	(4,292,649)	(59,512,581)	(63,805,230)
Charge for the period	208,093	1,649,836	1,857,929
Disposals	(28,528)	(287,533)	(316,061)
At 20 August 2005	-	-	-
Net book value			
At 20 August 2005	-	-	-
At 21 August 2004	287,588,540	33,578,226	321,166,766

The net book value of land and buildings comprises:

	20 August 2005 £	21 August 2004 £
Freehold	-	282,535,714
Long leasehold over 50 years	-	4,742,984
Short leasehold under 50 years	-	309,842
	-	287,588,540

11. Investments

Cost:	£
At 21 August 2004 and 20 August 2005	90

Details of the investments in which the company holds share capital are as follows:

<i>Subsidiary undertakings</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Readystripe Limited	Ordinary shares	90%	Pub Retailing

Notes to the financial statements
at 20 August 2005

12. Stocks

	20 August 2005	21 August 2004
	£	£
Goods held for resale	-	3,092,800

13. Debtors

	20 August 2005	21 August 2004
	£	£
Trade debtors	-	5,987
Amounts owed by group undertakings	513,127,605	93,306,140
Deferred tax (note 14)	-	3,273,912
	513,127,605	96,586,039

Amounts owed by group undertakings are due from fellow subsidiaries within the Spirit Group Holdings Limited group of companies. Although these amounts are payable on demand, the company has given an undertaking not to require repayment until those companies have settled all of their third party liabilities.

14. Deferred tax

	£
At 21 August 2004	3,273,912
Profit and loss account (note 7)	446,000
Transfers to group undertakings	(3,719,912)
At 20 August 2005	-

The deferred tax balance consists of:

	20 August 2005	21 August 2004
	£	£
Accelerated capital allowances	-	3,273,912
Unprovided deferred tax:		
Rolled over gains	-	2,450,862
Revaluation of fixed assets	-	10,417,520
	-	12,868,382

No provision has been made for deferred tax on gains on the sale of assets where potentially taxable gains have been rolled over into replacement assets. Such tax would only be payable if the assets were sold without it being possible to claim rollover relief or to utilise unrecognised capital losses.

Notes to the financial statements
at 20 August 2005

15. Creditors: amounts falling due within one year

	20 August 2005	21 August 2004
	£	£
Trade creditors	-	8,275
Amounts owed to group undertakings	327,455,416	332,230,974
Corporation tax	-	8,095,000
Other creditors	-	228,588
Accruals and deferred income	-	6,836
	<u>327,455,416</u>	<u>340,569,673</u>

Amounts owed to group undertakings are due to fellow subsidiaries within the Spirit Group Holdings Limited group of companies. Although these are all payable on demand, each of these companies have given an undertaking not to require repayment until all third party liabilities have been settled.

16. Called up share capital

	20 August 2005		21 August 2004	
	Number of shares	Amount £		Amount £
<i>Authorised</i>				
Ordinary A shares of £1 each	2,500,000	2,500,000	2,500,000	2,500,000
Ordinary B shares of £1 each	7,500,000	7,500,000	7,500,000	7,500,000
Ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
	20 August 2005		21 August 2004	
	Number of shares	Amount £		Amount £
<i>Allotted, called up & fully paid</i>				
Ordinary A shares of £1 each	90	90	90	90
Ordinary B shares of £1 each	10,000	10,000	10,000	10,000
Ordinary shares of £1 each	<u>10,090</u>	<u>10,090</u>	<u>10,090</u>	<u>10,090</u>

Ordinary A Shares

The holders of these shares are entitled to attend and vote at general meetings of the company. The holders of these shares are entitled to such dividend as the company or the directors shall declare or pay, including any dividend which the directors consider represents profits of the company in respect of a period prior to 31 March 2003. On a distribution of assets of the company on a winding up or other return of capital (other than a redemption or purchase by the company of its own shares), the holders of these shares shall be entitled to receive on a pari passu basis the amount paid up or credited as paid up in respect of the nominal value of the shares plus, pro rata to the number of these shares held, ninety-nine percent of the excess distribution amount.

Notes to the financial statements
at 20 August 2005

16. **Called up share capital (*continued*)**

Ordinary B Shares

The holders of these shares are entitled to attend but not vote at general meetings of the company. The holders of these shares are entitled, in priority to the holders of any other class of share, to receive a cumulative fixed preferential cash dividend at the rate of five percent per annum on the nominal amount for the time being paid up or credited as being paid up thereon. The holders of these shares shall also be entitled to receive, pro rata to the shares held, a dividend equal to one ninety ninth of the amount of any class B dividend. On a distribution of assets of the company on a winding up or other return of capital (other than a redemption or purchase by the company of its own shares), the holders of these shares shall be entitled to receive on a pari passu basis the amount paid up or credited as paid up in respect of the nominal value of the shares plus, pro rata to the number of these shares held, one percent of the excess distribution amount.

17. **Reconciliation of movements in shareholders' funds**

	Share Capital £	Profit and Loss Account £	Total £
At 2 November 2003	10,090	2,642,147	2,652,237
Profit attributable to ordinary shareholders	-	78,587,338	78,587,338
At 21 August 2004	10,090	81,229,485	81,239,575
Profit attributable to ordinary shareholders	-	194,432,704	194,432,704
Dividend attributable to ordinary shareholders	-	(90,000,000)	(90,000,000)
At 20 August 2005	10,090	185,662,189	185,672,279

18. **Financial commitments**

At 20 August 2005 the company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings	
	20 August 2005 £	21 August 2004 £
<i>Operating leases which expire:</i>		
Within one year	-	9,764
In two to five years	-	-
In over five years	-	11,625,997
	-	11,635,761

19. **Pension costs**

FRS 17

The pension schemes are defined benefit schemes, which are part of the Spirit Group Holdings Limited group schemes, but the company is unable to identify its share of the underlying assets and liabilities of the schemes.

Notes to the financial statements
at 20 August 2005

20. Parent undertakings

The company's immediate parent undertaking is Spirit Retail Bidco Limited, a company registered in England and Wales.

During the 52 weeks to 20 August 2005, the ultimate parent undertaking, which is also the parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the company is a member, was Spirit Group Holdings Limited, a company registered in England and Wales.

Copies of the financial statements of Spirit Group Holdings Limited are available from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.

From 5 January 2006 the ultimate parent undertaking is Punch Taverns plc as explained in the post balance sheet event note in the Report of the Directors.